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More taking advantage of CollegeChoice

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— College debt is a growing problem across the nation, but especially in Indiana, where the state ranks in the top 10 in the country for the most debt among college graduates.
“So far, I have probably close to $10,000 out in loans and by the time I graduate, I’ll have close to $300,000,” Indiana University Southeast sophomore Bethany Strunk, 20, said.
She hopes a future career in dentistry will help her pay off that debt.
Meanwhile, IUS senior Thomas Wilson, 24, is looking to the military to help pay off his $24,000 in loans.
“If I didn’t have student loans would I go? Probably not,” he said.
Similar stories cover the state. The average loan for 2006 graduates in Indiana totaled $21,179, according to Project on Student Debt Web site. Only eight other states have a higher average debt.
In an effort to stop the growing debt, the state is offering a 20 percent — or up to $1,000 — tax break for those who invest and save for school using the CollegeChoice 529 plan, which is rising in popularity.
The plan is a tax-advantaged education savings program. It allows anyone 18 or older to start an interest-bearing account to save for someone’s college education. When the beneficiary is ready to go to any accredited college or university, the account holder withdraws the money free from taxes.
Strunk’s parents do use the plan. She said that is how she paid for this semester.
Wilson, however, did not know about the program.
“It definitely would have helped,” he said.
IUS adjunct lecturer Chris Burt, 41, agreed. He took out $93,000 to get his baccalaureate at IUS and his master’s degree from California University of Pennsylvania. He is taking advantage of CollegeChoice for his 5-year-old son’s future.
“It makes a small investment a big payout because your money grows,” Burt said. “You’ve got to be prepared. The rates for school don’t go down. They go up, and they don’t take coupons here.”
Burt is part of the growing trend of Hoosiers joining the plan.
This past year was the first time the state offered tax breaks for those who invested. People using the plan grew by 282 percent during that time. The number of people investing in the plan now is more than for the past 10 years combined.
The same is true locally. The preliminary numbers in Clark County show a 135 percent increase from December 2006 to December 2007. The numbers are up 282 percent in Floyd County over that same time period.
The 20 percent tax break is the reason for the program’s growth, according to a press release from State Treasurer Richard Mourdock. Jodi Golden, executive director of Indiana Education

Savings Authority, which oversees the CollegeChoice program, agrees.
“There really isn’t a disadvantage to this,” she said. “It is really a good way to save. Your money is growing tax-free, and when you pull it out, that’s tax-free as well.”
Jeff Efarey, financial adviser with Edward Jones in Jeffersonville, said there are even more benefits to the plan. One advantage, he said, is that the person opening the account retains ownership and can change the beneficiary, such as if a child goes into the military instead of college, the beneficiary could be changed to another child.
He added that the money can be pulled out later for noneducational purposes, but the investor would have to pay taxes and penalties.
“The cost of college is going up at a much higher rate than the standard inflation rate, so parents ought to consider investing as early as they can,” Efarey said.
He said Edward Jones has a program that estimates what a certain college tuition will be in one to 18 years. He said the price of tuition goes up about 7 to 9 percent a year.
“It’s scary. It’s very scary. It’s at least double the inflation rate,” he said.
Because of that, he said parents need to consider investing early.
“It’s never too late to start, but the earlier the better.”

So you know

The CollegeChoice 529 Investment Plan at a glance

• Indiana residents receive a 20 percent tax credit on contributions up to $1,000.
• Indiana residents receive a reduced annual maintenance fee, pay no state authority fee and can invest in the age-based program option free of sales charges without the service of a financial adviser
• Minimum initial contribution — $50
• Additional contributions — $25 or more
• Maximum contribution — $298,770 per beneficiary
• Income limits — none
• Age limits — Account owners must be at least 18; no limits on beneficiaries
• Tax benefits — Tax-deferred growth; federal and state tax-free withdrawals for qualified higher education expenses
• Investment options — Age-based program or 12 custom portfolios
• Convenience — Contributions to the account can be made in several ways, including automatic deductions from checking and savings accounts or payroll deduction
• Flexibility — funds can be used at any accredited college or university for tuition, room and board, books and fees.

— *Indiana Education Savings Authority*

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